

Enhancing Accountability of Government-Linked Companies through Supply Chain Management Practices

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Abstract--- Accountability has long been the major focus of government-linked companies (GLCs) as these firms are directly accountable to the taxpayers. While studies examining accountability of GLCs are widely available, very little evidence exist in investigating how these GLCs achieve accountability through supply chain management (SCM). Thus, the aim of the present research is to gain insights into how SCM practices create value to the firm, which in turn enhance accountability of the GLCs towards its ultimate stakeholders. A single case study approach was used whereby key research issues were mainly addressed through semi-structured interviews, observations and document reviews. Findings revealed that, consistent with the financial and social obligations of the GLC to its stakeholders, the firm was able to create value through supplier involvement, strategic supplier relationship and supplier development practices. The findings provide valuable input for similar companies to emulate these practices in order to achieve accountability through SCM practices.

Keywords--- Accountability, Supply Chain Management, Value Creation, Government-Linked Companies, supplier involvement, strategic supplier relationship, supplier development

1. Introduction

According to the official portal of the Malaysian Ministry of Finance, a government-linked company (GLC) is defined as a company that has a primary commercial objective and are under the control of a government-linked investment company (GLIC). A GLIC has control over a GLC when it is the majority shareholder or the single largest shareholder of the GLC. Aside from having financial objectives, the

GLCs are accountable to the nation by virtue of the Malaysian government having a controlling stake in major decisions in GLCs, such as appointment of management positions, contract awards, strategy, restructuring and financing, acquisition and divestments (Putrajaya Committee on GLC High Performance). Md Zin [20] noted that GLCs performance had previously raised concerns among various stakeholders, not only about the GLCs ability to fulfil their financial objectives but also in satisfying the social obligations. Moreover, some GLCs have gained poor reputation both domestically and internationally through public financial scandals, thereby leading to questions about the quality of governance of the GLCs [21, 38, 11]. In line with these concerns, several programs have been implemented to improve the overall GLC performance most notably the GLC Transformation Program which concluded in 2015. The program aimed to boost the performance and creation of value of the GLCs particularly in terms of management accountability, transparency, performance measurement and greater market confidence. Empirical studies such as Abdullah & Said [1] noted that value is created in GLCs through financial reporting perspective while suggests that GLCs create value through entrepreneurship, learning, and market orientation. However, little attention has been directed towards the potential contribution of supply chain management (SCM) in enhancing accountability of the GLCs. Although the literature suggests that value can be created through SCM practices such as logistics, supply chain integration, information technology and networking (see [18, 37]), how these SCM practices enhances accountability is still unclear. Thus, this study

explores how the GLCs can create value through effective SCM and thereby restore accountability towards its stakeholders.

2. Literature Review

2.1 Accountability of Government-Linked Companies (GLCs)

Government-linked companies (GLCs) has been widely recognized as a main thrust to drive national development [26]. [4] noted that GLCs must play their role in creating value by understanding the internal factors that contribute to value creation. Using the Resource-Based View, [5] found that the GLCs managed to sustain competitive advantage through intangible resources consisting of organizational learning, market orientation, and entrepreneurship orientation. From the performance perspective, Md Zin [20] discussed the use of Balanced Scorecard (BSC) as a tool to support the GLC Blue Book implementation. The GLC Blue Book illustrates and guides the GLCs on the important means and ways in intensifying performance management. The main agenda of the Bluebook is the linking of the company's important drivers as well as all aspect involving the value creation of each GLC. Md Zin [20] suggest that the use of both the GLC Blue Book and the BSC will eventually help GLCs to improve their performance. However, only a few studies have investigated these SCM practices in the context of GLCs.

2.2 Supply Chain Management Practices to Enhance Accountability

A review of the literature suggests that various dimensions have been employed in order to describe SCM practices that creates value (see [18]). The present study therefore proposes SCM practices for enhancing accountability as a multi-faceted construct consisting of supplier involvement, strategic supplier relationship and supplier development practices. These SCM practices contribute towards accountability of GLCs through generation of value using four distinct measurements, viz.: cost reduction, quality, speed and flexibility.

2.2.1 Supplier involvement

Supplier involvement in new product development refers to the combination of the buyer's and supplier's research and development resources and the exploitation of joint capabilities through strategic integration of the buyer-supplier relationship [31, 33]. Supplier involvement is an important activity particularly in the new product development process

since it enables the supply chain partners to focus on mutual goals and interests to achieve joint improvement of inter-organizational processes for superior overall chain performance [10, 7]. The activities of supplier involvement may range from simple consultation on design ideas to making suppliers fully responsible for the design of components, systems, processes, or services that they will supply [6]. Firms which involved suppliers in new product development effort were found to achieve significant improvement compared to firms that did not [29, 9]. [10] added that firms benefit from supplier involvement in new product development through shorter time to market, improved product quality and reduced development and product costs.

2.2.2 Strategic supplier relationship

The strategic supplier relationship is viewed as a proactive and long term strategically managed buyer-supplier relationship function [11, 14]. [15] suggest that the nature of partnerships in supply chains consists of either the long term strategic relationship or the short term operational partnering. In a supply chain, such long term relationship can be enhanced through supplier certification and contracts to ensure good quality material [16, 35]. The literature also suggests that buyer-supplier relationship improves with fewer numbers of suppliers, hence the term supplier base reduction. Reducing the number of suppliers has been defined as the process of and activities associated with reducing the number of suppliers that an organization utilizes [17]. Benefits of such arrangement include resulting in lower costs of paperwork, cost savings from grouped payment to vendors and the ability to have a long term, close relationship with suppliers [22]. Thus, having a smaller number of suppliers is expected to enhance collaboration between an organization and its suppliers [16] and thereby would enhance an organization's performance in the form of quality parts and lower costs [19].

2.2.3 Supplier development

Supplier development is a formal operation undertaken to elevate supplier performance and capabilities [2, 36]. Supplier development is also defined as any effort of a buying firm with its supplier to increase the performance and/or capabilities of the supplier and meet the buying firm's supply needs. [8]. Common activities that firms undertake to help improve their suppliers include goal setting, plant visits, supplier audits, supplier training, performance measurement, supplier certification, supplier recognition and efforts to instil a philosophy of continuous improvement in the supplier [24]. Previous studies support the positive

impact that supplier development has on performance (see [12]). Further, Abdullah and Maharjan [2] contend that effective two-way communication, long-term commitment, on-going assistance and a collaborative posture are critical to the success of the supplier development effort. However, Wagner [30] pointed out that the benefit of such activities may vary depending on the life-cycle of the buyer-supplier relationship, whether it is in the initiation, maturity or decline phase. For example, supplier development will become less effective during the decline phase of the relationship since both parties are likely to engage in less relation-specific routine and reduce relation-specific investments [30, 34].

3. Methodology

The objective of this study is to gain insights on the supply chain management practices that enhances accountability of a GLC. Given that SCM practices consist of dynamic processes and complex structures, the perceptions and actions of individuals participating in these practices is of paramount importance. Consistent with [25], this study necessitates the researcher to study things in their natural settings while making sense of and interpreting the phenomena in question in terms of the meanings people bring to them. Hence, an interpretive and naturalistic approach to the world is adopted. This research strategy allows an in-depth understanding of the SCM practices that enhances accountability of a GLC firm to be examined.

This study utilizes the case study approach involving a single case firm. The company was a GLC operating in the automotive industry. The prime reason for choosing an automotive company was that the supply chain management approaches are unique and therefore could offer valuable insights as to how the SCM processes are managed and consequently how these practices create value. Furthermore, researchers argue that the SCM practices in automotive industry tend to be more mature compared to other industries, hence offering good illustration of the key issues in SCM that are worth investigating. Access to the case firms was obtained through direct contact between the researcher and the companies. Communications were conducted by telephone, emails and confidentiality was assured.

A research process undertaken in four distinct stages was conducted during the qualitative inquiry in this study. The first stage involves an extensive review of the literature followed by identification of research variables. Based on the review, a case study protocol is prepared together with the preparation of interview

protocol. The interview questions were based on the following research questions: what are the SCM practices for value creation implemented by the case firm? How do these SCM practices enhance accountability of the case firm?

During the second stage, a pilot interview was conducted to test the applicability of factors identified in the first stage. This is done in order to obtain better understanding of the specific SCM practices for value creation as well as to acquire practical input in determining the feasibility of the study. A number of participants from the industry were interviewed. The pilot interview also serves as a means of revising the interview protocol and to achieve external validity of the research constructs.

The third stage is the main study whereby during this stage, semi-structured interviews and focus group discussions were conducted. Semi-structured interviews were conducted using open ended questionnaire. The interviews served as a means to elicit in-depth information on SCM practices based on the informants' views, beliefs and actions at their disposal about the practices implemented by the company. The interviews lasted on average one hour per session. The data was recorded and the process was facilitated by interview protocols. Data was mainly collected from key personnel who were expected to be familiar with SCM such as the production executives, procurement personnel as well as the logistics personnel. All data were tape recorded supplemented by field notes. The data was then transcribed and coded. Additionally, review of documentations such as websites, newspaper clippings, and archival records was also conducted.

Stage four finally involves data analysis and report writing. Data was analysed by applying [27] pattern matching logic together with more specific analysis as suggested by [28] and Miles & Huberman [23].

4. Case Background

PrimaSB¹ was established in 2005 in the state of Perak. Presently, the manufacturing plant occupies only about 1,280 acres of the land area of PrimaSB which covers a total of 4,000 acres. Apart from manufacturing automobiles, it also undertakes manufacturing activities of related products such as accessories, spare parts and components. The plant is flexible and able to respond to market demand due to its capability of producing multi-model products on a

¹ The name of the company is not disclosed due to confidentiality issues.

common production line. A distinct feature of the plant is that the infrastructure has been equipped with high-precision robotics which not only enables quality monitoring at critical stages of manufacturing but also enhances safety among its workforce.

There are five main operational departments within the plant namely the engine shop, stamping shop, body shop, paint shop and trim and final shop. All the shops are directly involved in the manufacture and assembly of the four car models currently manufactured at PrimaSB except the engine shop. The engine shop at PrimaSB is solely for the purpose of machining processes whereby the actual assembly of engine parts is conducted at the main plant in Shah Alam. Once assembled, the completed engines will be transported back to PrimaSB for final assembly into the vehicle.

After undergoing the stamping, welding and painting processes which are mostly automated, the semi-finished cars are moved to the trim and final shop where parts such as radio, instrument panels and windows are assembled. Most of the parts incorporated into the finished product at this stage are sourced from external suppliers [13]. Upon completion, the finished products are then inspected and tested in terms of functionality and quality. Once approved, the cars are immediately delivered to PrimaSB Edar, which is the distribution arm of PHB. Apart from the five manufacturing shops, PrimaSB is also supported by other non-manufacturing departments such as finance, logistics, industrial engineering and production planning and control. As part of a strategic improvement exercise, the organization structure of PrimaSB has changed continuously over the years.

5. Research Findings

Based on the case evidence, a matrix of the value creating SCM practices is developed to discuss the findings at PrimaSB. More specifically, a discussion on each of the SCM practices and the associated value creation is presented using the matrix in Figure 1. The SCM practices consist of supplier involvement, strategic supplier relationship and supplier development practices. Their associated value creation activities indicated in Figure 1 are measured by cost savings, quality, speed and flexibility.

Value Creation Measures					
		Cost	Quality	Speed	Flexibility
Supply Chain Management Practices	Supplier involvement in new product introduction (NPI)	Feedback from suppliers at the product design and development stage creates better opportunities for cost savings before further costs are committed	Collaboration with suppliers helps ensure commitment of suppliers to supply quality parts	EVI significantly reduces the time to market	Collaborative discussion with suppliers creates more opportunity for PrimaSB to satisfy diverse customer wants
	Strategic supplier relationship	Consolidated supplier network creates better opportunity for supply chain efficiency which leads to cost competitiveness	Better supplier control is expected to result in 'built-in' quality focus among suppliers	Reduced lead time due to better coordination within the supplier network	Restructuring of the suppliers promotes flexibility in adapting to changes in customer demand
	Supplier development	Suppliers are more focused on achieving operational excellence, thereby reducing costs	Quality-related training and education directly improves supplier quality	Speed-related issues are directly targeted for improvement	Suppliers can appreciate better on their role in meeting changing customer needs
	Supplier rating, incentives and rewards	Promotes cost-consciousness among suppliers	Directly improves the suppliers' commitment towards quality	Speed is a 'built-in' focus for the ratings and rewards	Suppliers are able to improve flexibility through high overall performance

		Supplier self audits	Provides long term cost reduction opportunities	International quality accreditation of suppliers directly promotes higher quality	Speed is a 'built-in' focus within the program	The self motivation to achieve high performance indirectly improves flexibility
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Figure 1. Value creation matrix for SCM practices at PrimaSB

Source: Author

5.1 Supplier involvement in new product introduction (NPI)

Within PrimaSB, early involvement of suppliers in new product development forms a fundamental element of value-creating SCM practices. This practice, which is known as Early Vendor Involvement (EVI) in PrimaSB, requires that their suppliers take part in their new product introduction (NPI) process very early on. EVI is necessary particularly due to the critical need to reduce the time to market of new products given the intense competition within the automotive industry.

EVI within PrimaSB is mainly in two forms: (1) early manufacturing of certain parts and (2) supplier feedbacks through discussions at the early stage of the NPI. Basically, EVI involving early manufacturing of parts is appropriate for parts that are not related to the styling process which is known as the hidden parts. These hidden parts are not subject to subjective evaluation on its appearance and hence could be manufactured very early on. This practice significantly contributes to the speed with which new products enter the market for the case firm. The other form of EVI within PrimaSB which involves discussion with suppliers who supply certain critical parts is necessary particularly when long lead time is needed by the suppliers to manufacture the parts. For instance the headlamp suppliers normally take around 18 to 24 months to develop the item according to PrimaSB's requirement, as noted by a senior manager:

The suppliers are involved very early on in the new product development, even from the concept design stage. This is more common for suppliers with long lead time, for example parts that require 18 months and above to develop. However, suppliers with shorter lead time will come in at later stages such as when developing prototypes.

Such long lead time could be due to certain conformation to some regulations, the testing of parts and the process to get approval. The new product introduction process within PrimaSB commonly takes up duration of two to three years. The overall NPI process and the associated supplier involvement are illustrated in Figure 2.

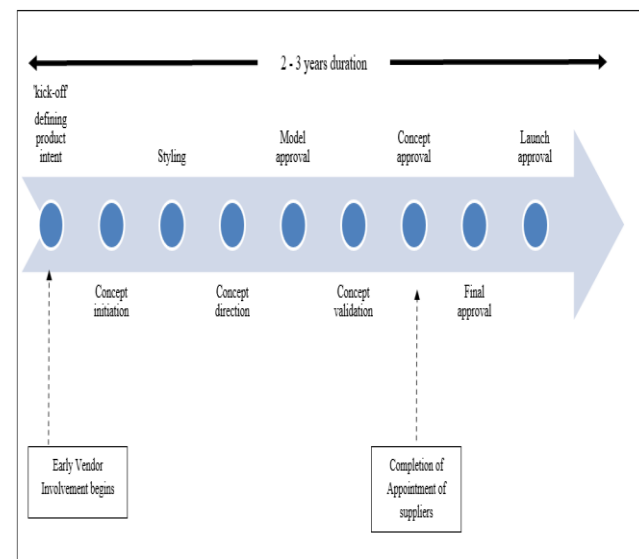


Figure 2. Supplier Involvement During New Product Development in PrimaSB

Source: Author

As shown in Figure 2, the development of new products kicks off with identification of the product intent by the marketing department. The marketing team would normally propose a new product based on the projected customer demand in the future, usually involving five years ahead. This is supplemented by analysis through competitors' benchmarking such as Toyota and Nissan, which is necessary in order for PrimaSB to remain competitive. This is followed by the concept initiation stage where the ideas generated by the marketing team are further developed into a conceptual product with defined technical specifications. Accordingly, the styling team prepares a two dimensional drawing of the product based on the technical specifications including the interior sketches.

Subsequently, during the concept direction stage, the conceptual product is refined further to cater for the specific consumer segments for which the product is focused. For instance, as commented by a senior manager:

At this stage, the developers need to decide on the 'hard points'. The 'hard points' mean how high do you want the seat to be fixed from the floor? Where is

the gas pedal going to be? How high do you want to set the light beam? And so on. If you want to develop a sporty type of car you want to have low height. If it is a family car, maybe it needs to be higher. If you target the young people, may be in the middle. So these are the kind of issues you deal with at this stage, meaning the direction is defined by who your target customers are.

The next stage as shown in Figure 2 is the model approval by which time PrimaSB would have already identified all the critical components to be installed in the final product. As such, at this stage, all appointment of suppliers should be finalized. Following model approval, the process will proceed with concept validation and concept approval, and once the development reaches the stage where design quality conformation is achieved, the final approval will be granted. This marks the point at which manufacturing process will begin until the product gains its launch approval.

As shown in Figure 2, EVI occurs right at the beginning of the NPI process. At this stage, early involvement of suppliers in the form of early manufacturing of the so-called hidden parts usually dominates. This is because the 'hidden' nature of the parts is independent of aesthetic features of the new product thus enabling the manufacture of such parts to proceed without delay. As the new product development stage progresses, parts that require a long lead time to develop are identified. This in turn necessitates early involvement of the suppliers such that they need a longer duration to complete the development of the new parts. In addition, PrimaSB recognizes the fact that technical issues pertaining to the development of new parts and components for NPI purposes are usually best left to the suppliers. Hence, EVI in the form of feedback from the suppliers is also essential since the suppliers are viewed as the experts when it comes to manufacturing the parts. As commented by a senior manager:

The suppliers need to be involved because they know more about manufacturing the parts. For example, we do not know about the regulation that needs to be followed when making headlamps or catalytic converters. To us they have more knowledge than us in the product. Also, if we were to produce it ourselves, it will be something totally new. Then, the development cost would probably be much higher.

Thus, in order to align the requirements of PrimaSB and the technicalities involved in producing the parts, the suppliers have to be involved. The interaction between the suppliers and the case firm at this stage often involves negotiations on both sides. For example, the senior manager added:

Sometimes they can suggest modifications to their existing parts that they manufacture for other car manufacturers. PrimaSB might not get exactly like what we have proposed. So, there will be discussions and negotiations. This is where there will be a compromise between our engineers and what the suppliers can do for us.

In general, the practice of supplier involvement particularly in new product development creates a win-win situation for both parties, particularly in generating values for the case firm and its supply chain. This is because the suppliers benefit through the information shared in advance by PrimaSB on their customers' demand while at the same time PrimaSB is able to leverage on their suppliers' knowledge and expertise on the parts. Early vendor involvement (EVI) in the form of feedback from suppliers at the product design and development stage creates better opportunities for cost savings before further costs are committed. Moreover, through EVI, the suppliers are recognized as the experts in manufacturing the parts and thus this helps ensure serious commitment of suppliers to ensure the quality of the parts. From the speed perspective, EVI is also found to significantly reduce the time to market which is very important for PrimaSB given the intense competition within the industry.

5.2 Strategic supplier relationship

In PrimaSB, supplier base reduction has been identified as an important component of the value-creating SCM practices (Figure 1). Historically, PrimaSB maintained a large number of suppliers when the firm was first set up in the 1980s. In order to manage such large supplier base, PrimaSB broadly categorized its suppliers into three categories, the listed, preferred and strategic suppliers' categories. The categories reflect a hierarchical taxonomy whereby the "listed suppliers" forms the bulk of the suppliers who are large in numbers but with very low switchover costs. These are normally the suppliers of cheap, low impact and non-specialized parts. On the other hand, the preferred suppliers are fewer in numbers but still low in terms of switchover costs. They are relatively easy to develop and the technology involved to manufacture their products is usually not very complicated. In general, the higher the numbers of suppliers such as the listed supplier group, the higher will be the bargaining power of PrimaSB as a buyer. This is because PrimaSB has a wider supplier base to choose from and as such switching supplier cost is still considered low. In contrast, the strategic suppliers are small in numbers and possess a relatively high bargaining power against PrimaSB. The strategic suppliers are mostly

multinational suppliers who are scarcely available due to the technological expertise that they have and this implies very high switchover costs to PrimaSB.

In order to further improve its management of suppliers, PrimaSB then implemented the supplier 'tiering' system. Under this system, the suppliers are categorized into first, second and third tier suppliers to indicate the direct and indirect linkage with the focal firm (PrimaSB). Basically, the Tier 1 (T1) suppliers, are those who supply parts and components directly to PrimaSB whereas the second (T2) and third tier (T3) suppliers have only indirect linkage to PrimaSB as shown in Figure 3.

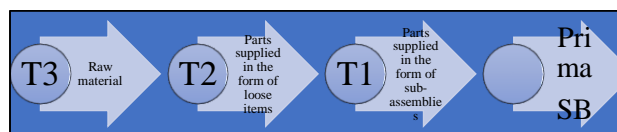


Figure 3. Tiers of Automotive Suppliers in PrimaSB
Source: Author

Categorizing the suppliers into distinct tiers shown in Figure 3 is a feature of the modular supply system applied in PrimaSB. The modular system refers to the practice of supplying partially assembled components or better known as sub-assemblies to PrimaSB instead of supplying loose parts. The most remote third tier suppliers (T3) are suppliers of raw materials to the T2 suppliers. Subsequently, the T2 suppliers will process and transform the raw materials into specific parts which are supplied as loose items to the T1 suppliers. The first tier suppliers would then assemble the loose parts into sub-assemblies to be sent directly to PrimaSB. Common items supplied as sub-assemblies in PrimaSB are instrument panels and tyres. The aim of implementing such a system is to increase the efficiency within the overall supply chain network while providing better supplier control for PrimaSB. This is because the practice enables PrimaSB to concentrate on fewer numbers of suppliers which they work closely with.

The use of the modular system has also led PrimaSB to contribute certain tools specific for the products at suppliers' site. This means that the tools belong to PrimaSB even though they are placed at the suppliers' site for use. This is found to create a strong and close relationship with the suppliers due to the commitment resulting from such capital investment. According to a senior manager at the plant, the rationale for the system is twofold. First, instead of assembling certain parts and components in-house, PrimaSB moved part of the processes to the suppliers who undertake the same processes at the suppliers' site. This benefits PrimaSB in terms of savings in time, space and other manufacturing requirements.

The second reason for this system is to facilitate PrimaSB to manage only its first tier suppliers thereby reducing the need to monitor the second and third tier suppliers.

Although the modular and system and the 'tiering' of suppliers are intended to enhance supplier relationship management and control, evidence from the interviews revealed that the expected benefit appears to be limited in some cases. This occurs particularly when there are problems of unavailable stock at the suppliers' site persist and the root problems sometimes lie within the second and third tier suppliers. The problem is often serious enough to compel PrimaSB to directly interface with the second and/or third tier suppliers despite the original intention to release part of the supplier control to the first tier suppliers themselves. Hence, PrimaSB still needs to communicate with the lower level suppliers (Tier 2 and 3 suppliers) in order to deal with the problem.

PrimaSB further responded by implementing Vendor Rationalisation Program in 2006 to reduce the number of direct suppliers they deal with. This practice in PrimaSB is consistent with suggestions from SCM commentators who noted that supplier base reduction serves as a critical effort to streamline sourcing activities [32]. The main idea within the program is to regroup the suppliers by forming a consortium of suppliers. Thus, rather than deal with hundreds of suppliers individually, PrimaSB interacts with fewer number of suppliers though they are now larger in size than before.

The supplier base reduction practice is aimed at creating a "win-win" situation for both PrimaSB and its suppliers. Not only that PrimaSB is better able to reduce related overhead costs but also increase the efficiency with which the sourcing process is undertaken. From the suppliers' perspective, since they are now part of the large consortium, they are able to enjoy greater bargaining power than before.

The supplier base reduction practice has also managed to improve quality since the improved supplier control has led to a 'built-in' quality focus among the suppliers. Moreover, by consolidating the suppliers and restructuring them according to the multiple layers or tiers, PrimaSB is able to leverage on reduced lead time in their operation [3]. This is because there is better coordination within the supplier network which in turn results in a better flow of information, physical goods as well as finance. Consequently, flexibility becomes a by-product of such effort which enable PrimaSB and its supply chain members to have better adaptation to the changing customer needs. Overall, this program allows PrimaSB to work more closely and cooperatively with the remaining suppliers which

creates a better working relationship with suppliers, and this concurs with [9] findings.

5.3 Supplier development

Supplier training and education represents an important component within the value-creating SCM practices in PrimaSB (Figure 1). The literature defines supplier development as a systematic organizational effort to create and maintain a network of competent suppliers [2]. Back in the early days of PrimaSB, most of the supplier development programs were heavily driven towards developing the local suppliers on the related technology. This is part of the social obligations of the case firm as a GLC. Thus, at that time, the issue of technology was given priority for supplier development activities. Over time, PrimaSB's supplier development effort shifted from focusing on technology related development towards operational excellence. This led to PrimaSB continuously upgrading its suppliers' performance by means of providing relevant training and education in operation.

From the suppliers' training and education perspective, PrimaSB initiated various education and training programs as part of their initiatives to ensure that the suppliers are able to achieve their performance targets. This finding concurs with the literature (see [8]) which suggests that such supplier training and education creates value particularly in terms of cost savings, improved quality, increased speed and greater flexibility. For example, suppliers are trained on the development of their own standard operating procedures (SOPs) and the implementation of the automotive performance measurement system. Other examples include training on Value Added/Value Engineering (VA/VE) which provides a better understanding among the suppliers on potential waste elimination and cost reduction activities.

Apart from specific training programs, PrimaSB also jointly organizes activities with PrimaSB Vendor Association (PVA) including seminars and workshops to upgrade the suppliers' capabilities. Focus of the seminars and workshops include quality improvement, productivity improvement, product development, and management issues. In addition, PVA frequently organizes educational tours and various business mission trips, both local and overseas, in order to promote organised export programs and channels of request for Technical Assistance arrangements with overseas manufacturers. Such trips amongst others enable the suppliers to have a better understanding of their overseas partners operations.

Furthermore, in order to achieve cost reduction targets and improves delivery from suppliers

PrimaSB delegated certain staff within the Group Technical Procurement department to act as a "window" or middle person between PrimaSB and its suppliers. The person in charge is usually part of the Vendor Supply Assurance Management (VSAM) team. They are responsible to cater to the problems faced by the suppliers and enable a two way communication between PrimaSB and its suppliers.

The existing supplier development practices within PrimaSB still maintains its focus on the provision of training, education and incentives for their suppliers to perform well. These programs have proved to deliver value, particularly in terms of cost savings and quality improvement. For example, various trainings and education programs specifically targetted for achieving operational excellence enable the suppliers to be more cost-conscious and strive for effective cost reduction activities. Similarly, quality-related training for the suppliers serves as an initiative to improve the suppliers' commitment to quality goals. These training and educational programs are supplemented by appropriate supplier ratings, incentives and rewards as a means to motivate higher performance among its suppliers. The supplier rating system, incentives and rewards are discussed in the following section

The supplier development effort at PrimaSB is not only confined to training and educational workshops but also in terms of supplier rating system and the associated incentives for the high-performing suppliers (Figure 1). For instance, the suppliers are rated using a four level grading system for their performance during the periodic Manufacturing Performance Audits (MPAs) of the suppliers. The grades awarded which are A, AB, B and C is based on the scale provided by the ISO/TS16949 framework used during the audit. Typical criteria for assessment in awarding the ratings include performance related to planning, logistic, management, capacity, downtime, quality related problems and delivery. Apart from the ratings given through MPAs, the suppliers are also evaluated and rated on a monthly basis based on PrimaSB's Monthly Vendor Performance Report. Based on their quality and delivery performance, a score is calculated and subsequently rated as 'good', 'average' or 'poor' suppliers.

Even though the rating system provides an effective way for PrimaSB to evaluate the performance of its suppliers, the firm realizes that rewarding the suppliers could also positively contribute towards better supplier performance. For example, during annual dinners co-organized by PrimaSB and PVA, special appreciation awards known as PrimaSB Annual Vendors awards are given to best performing suppliers. The suppliers are awarded through four

categories namely: Best Overall Vendor, Best 'Quality- Cost- Delivery' (QCD) Performance for small and medium industry (SMI) firms, Best 'Quality-Cost-Delivery' (QCD) Performance for non-SMIs, and finally Most Innovative and Technological Oriented Vendors. Not only do the winners benefit by gaining such awards but they also become highly recommended partner for future business with PrimaSB.

Another important element in the supplier development activity within PrimaSB is the incentives provided by PrimaSB in the form of financial assistance. For instance, one of the initiatives by PrimaSB in recent years is the signing of memorandum of understanding (MOU) with local financial institution in setting up financial assistance known as "Supply Chain Financing Solution". This is to help reduce the cash flow burden commonly faced by the local suppliers. Basically, it is done by closing the working capital gap from the initial stage of procuring raw materials to the final stage of payment by PrimaSB. Such moves indicated the effort made to fulfill the social obligations of the GLC towards developing its suppliers.

Case evidence further indicates that it is normal practice for PrimaSB to provide soft-funding for their suppliers especially in terms of raising the necessary fund to buy costly materials. Essentially, this implies that PrimaSB also holds material stocks at the suppliers' site. This practice helps release the pressures on the suppliers who are often operators of small and medium sized firms with relatively low financing capabilities. More importantly, the practice helps create a "win-win" situation for both parties while fostering trusting relationship between PrimaSB and the suppliers. At the same time, PrimaSB also realized that having a fewer number of suppliers that they directly interact with could significantly improve the working relationship with its suppliers. Hence, the next section elaborates on supplier base reduction practice as experienced by PrimaSB.

As indicated in Figure 1, another important supplier development practice for value creation within PrimaSB is the supplier self-audits. Case evidence demonstrates that much of the current supplier development effort within PrimaSB is shifting even further towards ensuring business excellence of the suppliers instead of solely focusing on their operational excellence. This is aimed to provide guidance to the suppliers in order for them to compete successfully not only locally but also in the global market. The 2011 Annual Report (page 53) stated that:

Creation of a reliable and competitive supplier base is key to sustained competitiveness; as is the need to

ensure that core vendor efficiencies, competencies and standards meet global market requirements. Hence, in anticipation of meeting these critical objectives, PrimaSB has taken proactive steps to initiate a dedicated Vendor Development Programme known as the "Improvement, Control and Education Initiative.

Among the specific initiatives taken include the recent introduction of a self-audit program for its suppliers. Although the program is still at the very early stage of implementation, through the self-audit process, the suppliers are expected to be driven based on self-motivation to achieve overall business excellence. As commented by a senior manager:

Of course initially we develop vendors for shop floor management, talking about technical and innovation part of it. But what we are lacking is in terms of leadership among the suppliers. Actually I'm hoping on that because it is a self-motivating process and can lead to a win-win (situation) if our vendors perform. We can expect to reduce loss in terms of not only direct quality issues but also hopefully improve other areas also.

As previously suggested by Abdullah and Maharjan [2], the case evidence clearly demonstrates that there is a marked improvement within the supplier development practices of PrimaSB, hence resulting in an improved buyer-supplier relationship. The shift can be described as a progress from merely developing suppliers on the technological and operational aspect in the early years of PrimaSB towards an all-encompassing business excellence motives for the suppliers in the recent year. The progress in supplier development practices provides better opportunity for value creation and also leads to a win-win formula for both PrimaSB and its suppliers. In addition, the findings indicated that there is a clear intention of PrimaSB to upgrade their suppliers towards achieving business excellence. A category manager noted: *"Our intention is basically to work with A class vendor even though now they may be rated B at present. We want to upgrade them."*

The introduction of self audits to be conducted by the suppliers initiated by PrimaSB represents a significant step towards quality excellence among the suppliers. This is because with international quality accreditation following the self audits, suppliers would be more self-motivated to improve their performance. Apart from that, various supplier awards offered by the case firm, in association with PrimaSB Vendor Association, helps promote value creation in terms of speed and flexibility. Both speed and flexibility factor can be regarded as an 'in-built' factor of success which is concurrent with the

emphasis on cost savings and quality through the supplier development effort.

6. Conclusions

Supply chain management (SCM) has been suggested as a superior way of improving firm performance through value creations. While SCM has been widely implemented by firms, there is still limited understanding as to how SCM practices promote accountability, particularly among the government-linked companies. Within the automotive industry, the SCM practices implemented by the case firm are mainly influenced by the fact that it was an initiated firm by the Malaysian government upon incorporation. As an initiated firm, most of its policies and procedures are governed by the government including that which affects the SCM processes within the firm. PrimaSB was subject to the localization policies formulated by the government which requires a certain percentage of the vehicle parts and component are manufactured locally. This policy mainly aims at reducing the reliance of PrimaSB on foreign-based components and parts while at the same time help develop the local automotive suppliers. This is due to its national obligation to select mainly local suppliers who may have less developed capabilities compared to the foreign-based suppliers. Findings from this study revealed that the SCM practices implemented by PrimaSB facilitates the fulfilment of its financial as well as social obligations through supplier involvement, strategic supplier relationship and supplier development practices. However, some limitations should be noted. A frequent criticism of case study methodology is that it provides little basis for scientific generalization as it involves small sample sizes. However, [23] pointed out that a case study presents a revelatory opportunity to study a phenomenon in depth and allows the researcher to retain the holistic and meaningful characteristics of real-life events. Additionally, case studies always include a threat on the objectivity of the case study results. Therefore, in order to confirm the information provided, wherever possible the information received was triangulated with that obtained from other sources. This study also ensures prolonged engagement with the case firm and employs member checking procedures as additional validation strategies.

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